

**FISCAL NOTE**  
**SB 2626 - HB 2543**

March 2, 2002

**SUMMARY OF BILL:** Makes changes to the current prompt payment procedures by HMOs for services delivered to the TennCare program. A provider whose claim is partially or totally denied may immediately file a written request to the Department of Commerce and Insurance to submit the claim denial to an independent reviewer. Under this bill, any request for an independent review would have to be made within six months of a denial. If the HMO continues to deny the claim or does not respond, then the provider may request the commissioner to set the claim for independent review. This bill allows a provider to consolidate multiple claims against a single HMO and allows the reviewer to request an extension of time to resolve a dispute. This bill specifies any claim receiving prior authorization from an HMO could not be retroactively denied because the claim was not medically necessary.

Currently the HMO is responsible for the costs related to the prompt payment requirements unless the reviewer finds a disputed claim was properly denied, then the provider must reimburse the HMO. If the provider fails to reimburse the HMO, the HMO would notify the Department of Commerce and Insurance who would then notify the Department of Health. The Commissioner of Health is to take action to suspend the provider's professional license until proof is submitted that the proper amount has been forwarded to the HMO.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$22,600 Recurring**  
**\$2,400 One-Time**

**Other Fiscal Impact - Increase Federal Expenditures - \$43,900 Recurring**  
**\$4,600 One-Time**

Estimate assumes:

- A need for one position and related expenses in the Department of Commerce and Insurance.
- TennCare MCOs do not preauthorize services that are not medically necessary as required by law and contract.
- A not significant increase in expenditures in the Department of Health for disciplinary actions.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

  
James A. Davenport, Executive Director

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